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10 experts predict what's next for investing in 2025
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Markets reached new highs in 2024, and many expect that upward trajectory to continue for the time being.

However, there are many open questions left as we enter 2025, the answers to which will have wide-ranging effects for years to come.

The return of President-elect Donald Trump to the White House will be a major concern for all investors in 2025. Experts say his policies will likely create a mixed bag for markets. Many are excited by the prospects of deregulation in several industries. And while these sectors stand to benefit from a lighter governmental touch, Trump's preoccupation with inherently inflationary tariffs will likely create chaos in other areas.

Meanwhile, what the Federal Reserve decides to do next in terms of interest rates will majorly affect markets in the coming year. After finally starting to lower rates in late 2024, the Fed will have to decide whether to keep on this path or to pause. With the prospect of its long-anticipated "soft landing" in sight, the Fed will have to proceed carefully. Lingering in the background is the ever-present threat of inflation, which continues to cause headaches across the economy. How much or how little Trump can exert his influence over Fed policy also remains to be seen in the coming year.

Some industry watchers also expect 2025 to be something of a stock-pickers' market.

This means advisors who can carefully select individual investments for their ability to profit from the new environment will fare better than those focused on broader sectors. Several experts feel there are many stocks in the market that have been overvalued. Advisors who guide their clients away from these investments will help them avoid the inevitable crash if these particular bubbles begin to burst.

Small- and mid-cap companies are widely seen as having a shot at a resurgence of growth in the coming year. After years of domination by large-caps, especially the so-called Magnificent Seven — Alphabet, Amazon, Apple, Microsoft, Nvidia, Meta Platforms and Tesla — small- and mid-caps will likely benefit from the coming deregulation and increased mergers and acquisitions activity. Expect the margins between these gigantic large-caps and their more modest small- and mid-cap counterparts to shrink somewhat in 2025.

Artificial intelligence-based stocks have been on a long winning streak, which

doesn't look likely to abate at any point in the near future. The anticipated deregulation philosophy of the incoming Trump administration along with the continued rapid pace of advancements means that early winners in this sector will likely continue to find success in the markets.

Scroll down the slideshow to see what 10 industry experts identify as some of the most important investment strategies for 2025:

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Focus on growth-centric areas
Daniel Milan, investment advisor representative and managing partner at Cornerstone Financial Services in Southfield, Michigan

"Strategies that will benefit from falling interest rates, deregulation and faster earnings growth would be expected to be the most prominent in 2025. This is especially true within the small and mid-cap sectors, as the market continues to broaden out becoming more of a stock-pickers market in 2025 in relation to 2023 and 2024, especially the first half of 2024.

"The drivers behind the expected 2025 market purely looking at expected political changes are deregulation, a declining cost of capital for businesses in general and overall animal spirits. These are all reflected clearly in the top current sectors, which are all cyclical growth sectors, like financials, technology, industrials and discretionary. Thus, focusing on those growth-centric areas as investment strategies would seem prudent currently."

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Small- and mid-cap companies will likely see a boost
Arun Bharath, partner and chief investment officer at Bel Air Investment Advisors in Los Angeles

"We expect the bull market in global equities will likely continue in 2025, with the U.S. again likely to outperform the rest of the world. U.S. companies generate stronger returns on equities and earnings growth across industries and sectors, explaining the dominant out-performance of U.S. equities against the rest of the world. Market prognosticators are trying to make a case for out-performance to come from non-U.S. equities, citing high valuations in U.S. stocks against significantly discounted international and emerging equities. Trading at a discount alone is insufficient to close the out-performance gap unless earnings in the rest of the world grow faster than that of U.S. corporations. Based on real-time data, this seems unlikely. Even at current elevated multiples, we anticipate that U.S. stocks … to outperform the rest of the world in 2025. Furthermore, U.S. companies are much further along in the use of AI and other advanced data science techniques in optimizing their business models.

"We believe the new Trump administration policies of looser regulations will lead

to increased merger and acquisition activities across various sectors in the year ahead. This may significantly boost the prospects of small and mid-cap companies in the U.S. going forward. For the past decade, small- and mid-cap companies have significantly under-performed their large-cap counterparts. Going forward, we expect the valuation gap of large-cap companies to narrow versus that of the small- and mid-cap sectors. Private credit will likely facilitate a significant portion of the mergers and acquisition activities. Private equity funds that have been on the sidelines will likely have more exit opportunities and begin distributing capital back to limited partnerships."

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Inflation will continue to be a concern for investors
Patrick J. Zoro, teaching assistant professor of finance at Lehigh University

"While growth is expected to continue in 2025, we should see more concerns over inflation and, as such, anything around gold and bitcoin will see favor from investors. At the same time, we should continue to see earnings growth as the recession everyone was expecting did not come even after huge increases in rates by the Fed. But there are uncertainties tied to high stock valuation, potential volatility around the Trump trade and the national debt. As such, investors would start to hedge risk in their portfolio which has grown in size.

"2025 will be about the Trump trade, inflation, the national debt and more AI talks. Previously it was all about AI. While there are many opportunities to look forward to, there is also much uncertainty and volatility as we are approaching very high valuation metrics.

"Inflation is an important driver in security valuation. For example, investors interested in ETFs and the NASDAQ can consider QQQ. The performance of this ETF has been closely tied to discussion around whether the Fed will continue to lower the rates. All it took was a mention by the Fed chair to state that, 'The Fed isn't in a rush to cut rates' to impact QQQ's performance negatively. Recent news about the CPI, which showed no increase, sent QQQ shares back up on the estimation that the Fed will be more focused on fighting unemployment (lower rates) than having to fight inflation (higher rates).

"The talk of tariffs, which are inflationary in nature, may cause the Fed to review their stance on rates after the late December meeting. This change on tariffs, tied to political promises by Trump, may lead to uncertainty around rates and, as such, around stock performance.

"The largest concern is of course the national debt, which stands at above $35 trillion and for which there is no easy fix. That is an item that should be of concern to all investors. At some point, investors might not be willing to keep financing our debt. At that time, you will need to raise the retirement age or increase taxes or cut entitlements. None of this will be welcomed by anyone and will cause a recession."

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‘The year of the stock-picker’
Dale Hershman, principal at Sick Advisory Services in Boca Raton, Florida

"2025 will be the year of the stock-picker. With markets breaking through all-time highs every day, many analysts feel that the market is frothy and overvalued. More experienced advisors are concerned that we are about to relive a 1999 scenario all over again, complete with the devastating crash that happened a few years later. This overheated market presents a tremendous opportunity for advisors to assist clients in choosing fairly valued stocks while avoiding names that have fallen into bubble territory.

"2025 is also a ripe opportunity to discuss concepts like valuation with clients and to set realistic expectations before any downturn may occur. For those advisors who lived through the crash of 2001 and 2009, this is a perfect opportunity to showcase the wisdom gained by living through those experiences, setting the more seasoned advisor apart from younger competitors who have never really lived through a downturn. The time to prepare for a crash is before it ever happens, and now more than ever, the experienced advisor can demonstrate value to vulnerable clients."

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The return of Trump will be a mixed bag
Harry Turner, founder of financial education company The Sovereign Investor

"Active investment strategies, particularly those focused in value and cyclical sectors, will outperform in 2025, as opposed to passive investment strategies that have been driven by a long period of abnormally high market concentration in a handful of mega-cap stocks like the Magnificent Seven. The market breadth will broaden to stocks outside of the AI narrative in 2025, which will present a more favorable environment for active investors to generate alpha.

"The return of Trump to the White House will have mixed impacts on investment strategies in 2025. On balance, I think his pro-growth agenda will be a net positive, however there will be winners and losers beneath the surface. For instance, I think tax cuts for the U.S. consumer and tariff risks for exporters will disproportionately benefit domestically-focused companies as opposed to big multinationals. This suggests investors may have more success in the small- to mid-cap end of the market. In addition, I think the return of inflation risk will likely see bond yields remain stickier than most expect, which will be a headwind for companies trading at rich valuation multiples, but boost other sectors like financials. Lastly, the cutting of red tape will benefit sectors that have been heavily regulated such as the energy and banking sectors."

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'Reaganomics on steroids'
Vuk Vuković, chief investment officer and co-founder of hedge fund Oraclum Capital in New York City

"I expect S&P 500 to be over 7,000 because of the combination of the immediate impact of Trump's tax and fiscal policy plans, and the continued Fed cutting cycle. Any negative impacts of the Trump administration, specifically regarding tariffs, most likely will affect inflation with a time lag and could cause problems in 2026. But in 2025, we should see a continued economic expansion, with earnings growth expected to be higher by 7% to 12%, and by extension a continued bull market in equities.

"In 2025, I expect growth stocks to over-perform. Market skew is already extremely high in favor of growth stocks, in particular the Magnificent Seven stocks, and with the new administration, this is not likely to abate. So any expectation of earnings being higher for these companies immediately implies their over-performance and pulling the market with them. Very similar to what we had in the past two years.

"I also anticipate small-caps to over-perform. Tax cuts, deregulation and cutting government administration, hint: Department of Government Efficiency (DOGE), is expected to benefit small- and medium-sized enterprises the most, while the appointment of Scott Bessent as the Treasury secretary is looked upon favorably in both Wall Street and Silicon Valley. Easy money, boost to domestic lending, more mergers and acquisitions, boom in private equity. Basically, Reaganomics on steroids."

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Focus on dividend-paying securities
Patrick O'Leary, senior vice president and financial advisor at O'Leary Wealth Management at DA Davidson and Co. in Billings, Montana

"After two consecutive years of 20%-plus total returns in the S&P 500, some sectors appear fully valued. I am advising a more cautious approach for 2025. Investors seeking total returns should focus on dividend-paying securities. Don't overlook high-quality fixed income, especially Treasury bonds, for security, income and diversification."

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Keeping cash on hand during times of uncertainty
Justin Zacks, vice president of strategy at online trading platform Moomoo Technologies in Jersey City, New Jersey

"Investors tend to stick with what is working, and most recently that means growth and tech stocks, particularly AI ones, will likely continue to be popular in

2025 as long as earnings and revenue outlooks from these companies continue to outstrip analysts' expectations.

"Some investors are sitting on gains from the past two years. Protecting those gains will be an important part of any balanced strategy for 2025. Purchasing put options on a broad market index is one way to help protect against possible losses. Increasing contributions to tax-advantaged accounts like an IRA or 401(k) could help offset higher tax bills due to capital gains for those who do have large profits from previous years.

"Valuations are much higher now on average than at the end of 2023. Investors will need to be nimbler to take profit if momentum pushes certain stocks even higher or consider using a covered call strategy to generate income or mitigate potential losses for investments that may have limited upside due to stretched valuations.

"With the upcoming change in the administration, there is a lot of uncertainty about possible policy changes and their impact on markets. That could increase volatility. During periods of heightened volatility, it is important to have higher levels of cash on hand to take advantage of possible dips in the market. Cash secured puts are another way to benefit from increased volatility as sellers' premiums are higher and investors can choose a strike price where they are comfortable getting long a specific stock or index ETF."

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Deregulation — good; tariffs — bad
Bryan Bell, regional director, vice president and senior financial advisor at First Horizon Advisors in Brentwood, Tennessee

"High-quality, dividend-paying stocks will be the most prominent investment strategies in 2025. The market has had a fantastic run over the last two years, so investors should look to securities that have return components other than pure capital appreciation. Dividend-paying stocks, corporate bonds, structured notes and even fixed annuities for the right situation. Industries that will benefit from deregulation could do well. The opposite is true for industries negatively impacted by tariffs."

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Basing investment policy on client risk tolerance
David W. Demming, founder and president of Demming Financial Services in Aurora, Ohio

"As financial planners, we set investment policy with each client based on a risk questionnaire. We re-balance annually to adapt to changing assumptions and valuations. Today with high valuations domestically, we are more heavily weighted in internationals and value versus the current growth dominance.

There has been a broadening to sub-categories like small- and mid-caps and emerging markets."

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